

Chaintech Technology Co., Ltd.
Parent Company Only Financial Statements and Independent Auditor's
Report

For the Years Ended December 31, 2018 and 2017

(Stock Code: 2425)

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Chaintech Technology Co., Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2018
and 2017 and Independent Auditors' Report

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Independent Auditors' Report

(108)Financial Review Reference No.18004311

To Chaintech Technology Corp.,

Audit opinion

The independent auditors have audited the accompanying parent company only balance sheets of Chaintech Technology Corp. (hereinafter referred to as "the Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only statements of cash flows, and notes to the parent company only financial statements (including summary of significant accounting policies) for the annual period ended December 31, 2018 and 2017.

The financial statements of the aforementioned parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the parent company only financial performance and parent company only cash flow for the years ended December 31, 2018 and 2017, respectively.

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of R.O.C. Our responsibilities under those standards are further described in the section of Responsibilities of Certified Public Accountants for Auditing Financial Statements. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the foundation of our audit opinion.

Key Audit Items

Key Audit Matters refer to matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company Only Financial Statements for the year ended December 31, 2018 are stated as follows:

Assessment of sales allowance estimate

Description

Regarding the accounting policy of recognition for sales allowance, please refer to Notes IV (XXIV) of the parent company only financial statements; the accounting estimate and assumption of the sales allowance refer to Notes V (II) of the parent company only financial statements; the accounting description of the sales allowance refer to Notes VI (XI) of the parent company only financial statements.

The Company's calculation of the sales allowance based on the content of the sales allowance agreement is based on historical experience and other known reasons to estimate the possible product discount, which is included in the sales of the product in the current period of sales, and is classified as deduction of accounts receivable. As a result of the reduction, the accountant has listed the estimate of sales allowance as one of the most important matters for the year.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand the nature of the company's operations and industry and inspect the contents of the sales allowance agreement in the sales contract, confirming that there are no significant changes in the terms of the sales allowance agreement.
2. Inspect the estimated breakdown of current sales allowance, sampled and inspected the foundation of sales allowance to individual agreement to verify the accuracy of calculation.
3. There are no material differences between the historical estimates and actual sales allowance.

Sales revenue cut-off

Description

Regarding the recognition of accounting policy for sales revenues, please refer to Notes IV (XXIV) of the parent company only financial statements. For accounting description for sales revenue, please refer to Note VI (XI) of the parent company only financial statements.

The Company has engaged in the trading and manufacturing of computer peripherals. Sales turnover of goods is recognized when the goods are delivered out. However, the sales revenue will not be recognized until the customer take the delivery of goods and the transfer control has passed. The Company mainly relies on the statements or other information provided by the depositary of the delivery warehouse, then uses the actual shipment made by the warehouse to the customer as the basis for recognizing the income.

The recognition of the turnover from the warehouse is based on the information and report provided by the depositary as the basis for recognizing the sales revenue. These revenue recognitions generally involve a large number of manual operations. Considering that the volume of the shipments of the Company is large, and the amount of transaction before and after the financial statement date has a significant impact on the financial statements, the independent auditors have thus listed the sales revenue as the most important matter for this year's audit.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand Revenue recognition and adjustment procedures for revenue cut-off for shipment from the depositary of warehouse of the Company. Then, inspect the appropriateness of the revenue's recognition from the warehouse, including understanding of the relevant internal control procedures, obtaining information and the statements provided by the depositary.
2. Carry out an internal control test for the sales revenue from the warehouse in order to make sure that the Company determines the sales recognition when the customer receives the delivery of goods and the right of control is transferred.
3. Perform a closing test for sales revenue from delivery of warehouses for a certain period before and after the balance sheet date, including the verification of shipment certificates and that revenue recognition is recorded in the appropriate period.
4. Perform random checks on physical stock taking and on-site inventory observation in the warehouse and check if the inventory quantity on the record is correct.

Responsibility of the Management and the Governing Body for the Parent Company Only Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as the management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, the responsibility of the management includes assessing the Company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the Company or terminate the business, or has no realistic alternative but to do so.

Those charged with governance, including the Supervisors, are responsible for overseeing the Company's financial reporting process.

Responsibilities of Certified Public Accountants for Auditing Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) of Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence on the economic decisions made by the users of the parent company only financial statements, it will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements; or, if such disclosures are inadequate, we are required to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the Company to no longer continue as a going concern.
5. Evaluate the overall expression, structure, and contents of the parent company only financial statements (including related notes) and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Company to express an opinion about the parent company only financial

statements. The CPA is responsible for the guidance, supervision and performance of the Group audit, and is responsible for forming the audit opinion to the Parent Company Only Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the Company for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Taiwan

Patrick Hsu

Certified Public Accountants

Han Chi Wu

Financial Supervisory Commission

Approved Certification Number: Financial Control
Certificate No. 1010034097

Former Securities and Futures Bureau Committee
Approved Certification No.:
(2011)TCZ(6)Z157088

March 22, 2019

Chaintech Technology Corp.
Parent Company Only Balance Sheets
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

Assets	Note	December 31, 2018		December 31, 2017		
		Amount	%	Amount	%	
Current assets						
1100	Cash and cash equivalents	VI (I)	\$ 481,211	24	\$ 390,087	20
1110	Financial assets at fair value through profit or loss - current	VI (II)	1,755	-	-	-
1170	Accounts receivable, net	VI (IV)	232,587	11	292,418	15
1180	Net accounts receivable - affiliated	VI (IV) and VII	685,977	34	760,762	38
1200	Other receivables		155	-	10	-
130X	Inventories	VI (V)	95,833	5	114,790	6
1470	Other current assets	VI (VI) and VIII	53,806	3	51,154	2
11XX	Total current assets		<u>1,551,324</u>	<u>77</u>	<u>1,609,221</u>	<u>81</u>
Non-current assets						
1517	Financial assets at fair value through other comprehensive income - non-current	VI (III)	108,985	6	-	-
1550	Investment accounted for using equity method	VI (VII)	346,200	17	364,473	19
1600	Property, plant, and equipment		-	-	25	-
1840	Deferred income tax assets	VI (XVI)	6	-	1,869	-
1900	Other non-current assets		5	-	5	-
15XX	Total non-current assets		<u>455,196</u>	<u>23</u>	<u>366,372</u>	<u>19</u>
1XXX	Total Assets		<u>\$ 2,006,520</u>	<u>100</u>	<u>\$ 1,975,593</u>	<u>100</u>

(Continued)

Chaintech Technology Corp.
Parent Company Only Balance Sheets
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

Liabilities and equity	Note	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Current liabilities					
2170	Accounts payable	\$ 156,859	8	\$ 212,284	11
2200	Other payables	63,174	3	35,372	2
2230	Current income tax liabilities	52,170	3	4,081	-
2300	Other current liabilities	193	-	229	-
21XX	Total current liabilities	<u>272,396</u>	<u>14</u>	<u>251,966</u>	<u>13</u>
2XXX	Total liabilities	<u>272,396</u>	<u>14</u>	<u>251,966</u>	<u>13</u>
Equity					
Share capital VI (IX)					
3110	Capital of ordinary shares	1,014,988	51	1,092,488	55
Retained earnings VI (X)					
3310	Legal reserve	97,859	5	97,859	5
3320	Special reserve	88,481	4	84,131	4
3350	Retained earnings	645,310	32	478,452	24
Other equity					
3400	Other equity	(112,514)	(6)	(29,303)	(1)
3XXX	Total equity	<u>1,734,124</u>	<u>86</u>	<u>1,723,627</u>	<u>87</u>
Significant contingent liabilities and unrecognized contract commitments IX					
3X2X	Total liabilities and equity	<u>\$ 2,006,520</u>	<u>100</u>	<u>\$ 1,975,593</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman : Shu-Jung Kao

Manager : Shu-Jung Kao

Accounting Officer : Yu-Nu Lai

Chaintech Technology Corp.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

(Except for earnings per share expressed in New Taiwan Dollar)

Items	Notes	2018		2017	
		Amount	%	Amount	%
4000 Operating revenue	VI (XI) and VII	\$ 3,755,138	100	\$ 5,276,351	100
5000 Operating costs	VI (V)	(3,397,183)	(91)	(5,195,527)	(98)
5950 Net operating profit		<u>357,955</u>	<u>9</u>	<u>80,824</u>	<u>2</u>
Operating expenses	VI (XV) and VII				
6100 Selling expenses		(52,272)	(1)	(30,252)	(1)
6200 Administrative expenses		(31,691)	(1)	(15,667)	-
6300 Research and development expenses		(3,164)	-	(2,744)	-
6000 Total operating expenses		<u>(87,127)</u>	<u>(2)</u>	<u>(48,663)</u>	<u>(1)</u>
6900 Operating profit		<u>270,828</u>	<u>7</u>	<u>32,161</u>	<u>1</u>
Non-operating income and expenses					
7010 Other income	VI (XII)	6,854	-	6,490	-
7020 Other gains and losses	VI (XIII)	29,978	1	(87,138)	(2)
7050 Financial cost	VI (XIV)	(2,165)	-	(1,567)	-
7070 Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method	VI (VII)	(11,061)	-	(8,117)	-
7000 Total non-operating income and expenses		<u>23,606</u>	<u>1</u>	<u>(90,332)</u>	<u>(2)</u>
7900 Net profit (loss) before tax		<u>294,434</u>	<u>8</u>	<u>(58,171)</u>	<u>(1)</u>
7950 Income tax (expense) benefit	VI (XVI)	(50,130)	(2)	1,257	-
8200 Net income (loss)		<u>\$ 244,304</u>	<u>6</u>	<u>(\$ 56,914)</u>	<u>(1)</u>

(Continued)

Chaintech Technology Corp.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand
(Except for earnings per share expressed in New Taiwan Dollar)

Items	Notes	2018		2017		
		Amount	%	Amount	%	
Other comprehensive income (loss), net						
Items that will not be reclassified to profit or loss						
8316	Unrealized valuation gain (loss) on equity instruments measured at fair value through other comprehensive income	VI (III)	(\$ 75,999)	(2)	\$ -	-
8310	Total amount of items that will not be reclassified to profit or loss		(75,999)	(2)	-	-
Items that may be reclassified subsequently to profit or loss						
8361	Exchange differences on translation of financial statements of Foreign operation.		(7,212)	-	(4,350)	-
8360	Total amount of items that may be reclassified subsequently to profit or loss		(7,212)	-	(4,350)	-
8300	Other comprehensive income (loss), net		(\$ 83,211)	(2)	(\$ 4,350)	-
8500	Total comprehensive income (loss)		\$ 161,093	4	(\$ 61,264)	(1)
Basic earnings (deficit) per share						
9750	Net income (loss)		\$ 2.39		(\$ 0.52)	
Diluted earnings (deficit) per share						
9850	Net income (loss)		\$ 2.39		(\$ 0.52)	

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman : Shu-Jung Kao

Manager : Shu-Jung Kao

Accounting Officer : Yu-Nu Lai

Chaintech Technology Corp.
Parent Company Only Statements of Changes in Equity
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

	Notes	Retained earnings			Other equity			Treasury stocks	Total equity
		Share capital- common stock	Legal reserve	Capital surplus	Unappropriated retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unrealized gains/losses on financial assets at fair value through other comprehensive income		
2017 Year									
Balance as of January 1, 2017		\$ 1,092,488	\$ 88,696	\$ 59,178	\$ 585,869	(\$ 24,953)	\$ -	\$ -	\$ 1,801,278
Net income (loss)		-	-	-	(56,914)	-	-	-	(56,914)
Other comprehensive income (loss)		-	-	-	-	(4,350)	-	-	(4,350)
Total comprehensive income		-	-	-	(56,914)	(4,350)	-	-	(61,264)
Appropriation and distribution of surplus in 2016	VI(X)								
Appropriation of legal reserve		-	9,163	-	(9,163)	-	-	-	-
Appropriation of special reserve		-	-	24,953	(24,953)	-	-	-	-
Cash dividends		-	-	-	(16,387)	-	-	-	(16,387)
Balance as of December 31, 2017		\$ 1,092,488	\$ 97,859	\$ 84,131	\$ 478,452	(\$ 29,303)	\$ -	\$ -	\$ 1,723,627
2018									
Balance as of January 1		\$ 1,092,488	\$ 97,859	\$ 84,131	\$ 478,452	(\$ 29,303)	\$ -	\$ -	\$ 1,723,627
Effect of modified retrospective adjustments		-	-	-	(323)	-	-	-	(323)
Balance after adjustment on January 1, 2018		1,092,488	97,859	84,131	478,129	(29,303)	-	-	1,723,304
Net income		-	-	-	244,304	-	-	-	244,304
Other comprehensive income (loss)		-	-	-	-	(7,212)	(75,999)	-	(83,211)
Total comprehensive income (loss)		-	-	-	244,304	(7,212)	(75,999)	-	161,093
Appropriation and distribution of surplus in 2017	VI(X)								
Reservation of legal reserve		-	-	4,350	(4,350)	-	-	-	-
Treasury stock repurchase		-	-	-	-	-	-	(150,273)	(150,273)
Cancellation of treasury stock		(77,500)	-	-	(72,773)	-	-	150,273	-
December 31		\$ 1,014,988	\$ 97,859	\$ 88,481	\$ 645,310	(\$ 36,515)	(\$ 75,999)	\$ -	\$ 1,734,124

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman : Shu-Jung Kao

Manager : Shu-Jung Kao

Accounting Officer : Yu-Nu Lai

Chaintech Technology Corp.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

	Notes	2018	2017
<u>Cash flows from operating activities</u>			
Net income (loss) before tax		\$ 294,434	(\$ 58,171)
Adjustments			
Income charges (credits)			
Depreciation expense	VI (XV)	25	147
Valuation adjustment for financial assets at fair value through profit or loss		(185)	-
Interest income	VI (XII)	(2,335)	(1,027)
Interest expenses	VI (XIV)	2,165	1,567
Dividend income	VI (XII)	(4,340)	-
Share of loss of subsidiaries accounted for using equity method		11,061	8,117
Changes in assets and liabilities related to operating activities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss		(1,570)	-
Accounts receivable (including affiliates)		134,292	509,499
Other receivables		(145)	(6)
Inventories		18,957	69,865
Other current assets		(1,828)	(361)
Net changes in liabilities related to operating activities			
Accounts payable (including related parties)		(55,425)	(187,456)
Other payables		27,802	(19,267)
Other current liabilities		(36)	117
Cash inflow from operations		422,872	323,024
Interest received		2,335	1,027
Capital bonus received		4,340	-
Interest paid		(2,165)	(1,567)
Income tax paid		(178)	(13,186)
Net cash inflow from operating activities		<u>427,204</u>	<u>309,298</u>

(Continued)

Chaintech Technology Corp.
Parent Company Only Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

	Notes	2018	2017
<u>Cash flows from investing activities</u>			
Acquisition of other comprehensive income at fair value through other comprehensive income		(184,984)	-
Decrease (increase) in other current assets		(823)	(2,845)
Net cash outflow from investing activities		(185,807)	(2,845)
<u>Cash flows from financing activities</u>			
Decrease in short-term loans		-	(76,533)
Cash dividends	VI (X)	-	(16,387)
Cost of redemption of treasury stocks		(150,273)	-
Net cash outflow from financing activities		(150,273)	(92,920)
Increase in cash and cash equivalents for the current period		91,124	213,533
Cash and cash equivalents at beginning of the period		390,087	176,554
Cash and cash equivalents at end of the period		\$ 481,211	\$ 390,087

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman : Shu-Jung Kao

Manager : Shu-Jung Kao

Accounting Officer : Yu-Nu Lai

Chaintech Technology Corp.,
Notes to the Parent Company Only Financial Statements
For the Years Ended December 31, 2018 and 2017

Unit: NT\$ thousand

(Unless otherwise stated)

I. Company History

- (I) The original East Chaintech Technology Co., Ltd. was established in November 1986 and was renamed as Chaintech Technology Corp. (hereinafter referred to as the "Company") in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, the Company was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. The Company is principally engaged in the business of buying and selling and manufacturing of motherboards, display cards, and computer peripherals.
- (II) Colorful Group Ltd. (hereinafter referred to as "the Colorful Group") acquired 10% equity in the Company indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of the Company) in June 2014. Therefore, Colorful Group held 46.2% equity in the Company indirectly, and obtained more than half of the seats in the Company's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of the Company it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of the Company to 26.11%. As of December 31, 2018, the Colorful Group indirectly held 28.11% of the equity in the Company through Yicheng International Development Co., Ltd.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 21, 2019.

III. Application of New and Amended Standards and Interpretations

- (I) The impact of adopting new and amended International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Amended by applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle- IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle - IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The affected amount shall be disclosed upon the completion of assessment:

1. IFRS 9 "Financial Instruments"

- (1) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial assets at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (2) The impairment losses of debt instruments are assessed using an expected credit loss approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e., net of credit allowance). Accounts receivable (excluding significant financial components) should be measured for allowance losses based on expected credit losses during the duration of the period.

When applying the IFRSs endorsed and issued into effect by FSC in 2018, the Company applies the modified retrospective adjustment for International Financial Reporting Standard No. 9 (hereinafter referred to as the "IFRS 9"). The impact on January 1, 2018 is summarized as follows:

1. The Company proposes an impairment loss requirement in accordance with IFRS 9, reducing the accounts receivable by \$323 and reducing the retained earnings by \$323.
2. Please refer to Note XXII (III) for the disclosure of initial application of IFRS 9.

2. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires companies to increase the disclosure of changes in liabilities related to (from) financing activities, including changes from cash and non-cash.

It is evaluated that this amendment will allow the Group to increase the disclosures related to (from) the changes in liabilities from financing activities.

(II) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Company's assessment.

IFRS 16 "Leases"

IFRS 16 "Leases" supersedes IAS 17 "Leases" and its related interpretations and announcements of interpretations. The standard requires lessees to recognize a right-of-use asset and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group will treat the lessee's lease contract in accordance with International Financial Reporting Standard No. 16, but will adopt the non-restatement of the previous financial statements (hereinafter referred to as "modified retrospective method"), which may respectively increase of the right-of-use asset and lease liability of \$4,440 and \$4,440, respectively, on January 1, 2019.

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Disclosure Initiative - Definition of Materiality"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17 "Insurance Contracts"	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Compliance statement

These parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. The parent company only financial statements have been prepared based on historical cost convention.
2. The financial statements prepared in accordance with IFRSs, international accounting standards, interpretations and interpretations (hereinafter referred to as the IFRSs) are required to be used for the preparation of financial statements. The financial statements of the Company shall also require the use of certain critical accounting estimates. The management requires the use of judgment in applying the Company's accounting policies. For items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the consolidated financial statements, please refer to Note V for details.
3. The Group initially applied IFRS 9 on January 1, 2018. The amendments are applied retrospectively to recognize the retained earnings and other equity as of January 1, 2018. The Group did not restate the financial statements and notes in the financial statements for the year ended December 31, 2017. The financial statements for the year ended December 31, 2017 was prepared in accordance with International Accounting Standard No. 39 (hereinafter referred to as "IAS 39") and its related interpretations and announcements. For the description of significant accounting policies adopted and significant accounting items, please refer to Note XII (IV) for details.

(III) Foreign currency translation

The Company's items listed in the parent company only financial statements are measured and presented in the currency of the primary economic environment in which the Company operates (i.e., functional currency).

1. Foreign currency transactions and balances

- (1) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise.
- (2) Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising upon the re-transaction at the balance sheet date are recognized in profit or loss.
- (3) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are retranslated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (4) All exchange gains and losses are presented in the earnings statement of profit or loss within "Other gains and losses."

2. Translation of foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) Assets and liabilities for each balance sheet presented are re-translated at the closing rate prevailing at the balance sheet date;
- (2) Income and expenses for each composite income sheet are re-translated at the average exchange rates for the period;
- (3) All resulting exchange differences are recognized in other comprehensive income.
- (4) When a foreign operation is partially disposed of or sold, the cumulative exchange differences that were recognized in other comprehensive income are reclassified to the non-controlling interests in the foreign operation. However, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(IV) Standard of assets and liabilities being classified as current and non-current

1. Assets that meet one of the following criteria are classified as current assets:
 - (1) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.
 - (2) Assets held mainly for trading purposes.
 - (3) Assets that are expected to be realized within twelve months from the balance sheet date.
 - (4) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

Assets that do not meet the aforementioned conditions are classified as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:
 - (1) Liabilities that are expected to be paid off within the normal operating cycle.
 - (2) Liabilities held mainly for trading purposes.
 - (3) Liabilities that are to be paid off within twelve months from the balance sheet date.
 - (4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Liabilities that do not meet the aforementioned conditions are classified as non-current.

(V) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Fixed deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(VI) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss refer to financial assets not measured at amortized cost nor measured at fair value through other comprehensive income.
2. Financial assets at fair value through profit or loss that follow regular way purchase or sale are recognized by the Group using trade date accounting.
3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in

profit or loss.

4. Dividend income is recognized in profit or loss when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividends can be measured reliably.

(VII) Financial assets at fair value through other comprehensive income

1. Changes in fair value of investments in equity instruments that are not held for trading purpose at initial recognition presented in other comprehensive income; or, financial assets meeting the criteria listed below are classified as debt instrument:
 - (1) The financial asset is held for the purpose of obtaining the contractual cash flows and the sales of the contract.
 - (2) Cash flow generated from the said contractual terms of the financial asset at specific date are solely payments of principal and interest on the principal amount outstanding.
2. The Group adopts trade date accounting for financial assets measured at fair value through other comprehensive income.
3. At initial recognition, the Company measures the financial assets at fair value plus transaction costs; the Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(VIII) Accounts receivable

1. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
2. Short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

Considering all reasonable and provable information (including forward-looking information), the Company measured the credit risk that increased insignificantly since original recognition via the 12-month expected credit loss amount through financial debt instrument at fair value through other comprehensive income, financial asset at amortized cost and accounts receivable significant financial components. For those credit risk increased significantly since original recognition, the allowance loss is measured by the expected amount of credit loss during the existence period; for accounts receivable that do not contain significant financial components, the allowance loss is measured by the amount of expected credit losses during the duration of the period.

(X) Derecognition of financial assets

Financial assets are derecognized when the Company's contractual rights to receive cash flows from financial assets are lapsed.

(XI) Operating lease (lessor)

Lease income from operating leases is recognized in gain or loss on a straight-line basis over the term of the lease, as follows:

(XII) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost are is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production burden (allocated based on normal operating capacity). It excludes borrowing costs. Goods on hand are stated at the lower of comparative cost and net realizable value. The item by item approach is used in applying the lower of comparative cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investment accounted for using equity method - subsidiary

1. Subsidiaries refer to all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
2. Unrealized gains and losses resulting from transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.
3. The share of gain or loss and other comprehensive income generated from the subsidiary was recognized as profit or loss of the period and other comprehensive income (loss), respectively. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the loss according to its shareholding ratio.
4. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit or loss and other comprehensive income of the current period and other comprehensive income shall be shared with the consolidated financial statements. The parent equity of the parent company only financial statements shall be the same as the owner's equity in the financial statements prepared on the basis of the consolidated financial statements.

(XIV) Property, plant, and equipment

1. Property, plant and equipment are recorded as the foundation of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement is

derecognized. All other repairs and maintenance are recognized as current gain or loss when incurred.

3. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is material, it is depreciated separately
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors," from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Wealth-generating equipment	3 ~ 5 years
Other equipment	3 years

(XV) Operating lease (lessee)

The deduction of the operating leases, net of any incentives received from the lessor, is amortized and recognized in profit or loss using the straight-line method within the lease term.

(XVI) Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where an impairment loss of assets recognized in previous years does not exist or decrease, the impairment loss is reversed. However, the carrying amount of the asset increased by the impairment loss shall not exceed the book value of the asset after abatement the depreciation or amortization if the impairment loss is unrecognized.

(XVII) Borrowings

Borrowings refer to short-term loans from banks. The initial recognition of loans measured at fair value less transaction cost. Any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in gain and loss by applying amortization procedure of effective interest method during the circulation period.

(XVIII) Accounts payable

1. Account payable is the liabilities arising from the purchase of raw materials, commodities or services are taken.
2. Short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(XIX) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(XX) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

2. Pensions

For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual foundation.

3. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(XXI) Income tax

1. Income tax expense comprises current and deferred income tax. Income tax is recognized in gain or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country domicile where the Company operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities are recorded in tax liability. Undistributed earnings are subject to income tax credit. After the distribution of earnings is approved by the shareholders' meeting in the following year, the Company shall recognize the distribution of earnings and expenses, and recognize the earnings and expenses for the actual earnings.

3. Deferred income tax adopts the balance sheet approach, and is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is not recognized, if the temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred

income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.
5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly attributable to the issue of new shares or options is deducted from the equity in equity after deducting the income tax.
2. When the Company bought back the issued stocks, the consideration paid includes any incremental costs that are directly attributable to the incremental costs, net of any directly attributable incremental costs. When the shares are subsequently reissued, the difference between the consideration received net of any directly attributable incremental costs and the carrying amount is recorded in the adjustment of stockholder's equity.

(XXIII) Dividend distribution

Dividends are recognized in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recognized as stock dividends to be distributed and transferred to ordinary shares on the base date of issuance of new shares.

(XXIV) Revenue recognition

1. Sales of goods
 - (1) The Company manufactures and sells products related to motherboards, display cards, and computer peripherals. The sales revenue is recognized when the control of the products is transferred to customers. That is, when the product is delivered to the customer, the customer has discretion in the access and price of the product, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the product. When the product is shipped to a designated location, the risk of obsolete and lost risks has been transferred to the customer, and the customer is required to obtain the products in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.
 - (2) Sales revenue is recognized the net amount of contract price minus estimated sales allowance. The amount of revenue recognition is limited

to the extent that it is very unlikely to see a significant reversal in the future, and is updated on the balance sheet date. The terms of sales transactions are mainly due to the expiry of 30 to 90 days after the transfer date. It is consistent with the market practice. Therefore, it is judged that the contract does not contain significant financial component.

- (3) Accounts receivable are recognized when the control right of commodities is transferred to the customs; that is because the Group has unconditional rights to the contract price since that point in time, and the Group can collect the consideration from the customer once upon the contractual time is expired.

2. Service revenue

The Group provides services related to processing. Revenue is recognized as revenue in the reporting period in which the services are rendered to customers.

3. Financial composition

The duration of commitment to transfer commodities or services to customer and the payment period in the contracts between the Company and customers are all less than one year. Therefore, the Company has not adjusted the transaction price to reflect the time value of money.

4. Costs to acquire contracts from customers

The Company recognizes the incremental costs incurred in the contracts with the customers and that are expected to be recoverable. However, such costs are recognized in expense as incurred since the contracts are less than one year.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events according to the conditions on balance sheet date. Material accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions possess a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Uncertainties in material accounting judgments, estimates, and assumptions are addressed below:

- (I) Significant judgments in applying accounting policies

None.

- (II) Significant accounting estimates and assumptions

Revenue recognition

Allowance of liability reserve for sales revenue is recognized based on the historical experience and other known reasons to estimate product discount and is recorded as the deduction of sales revenue in the current period of product turnover. In addition, the Company regularly reviews the reasonableness of the estimates.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and revolving funds	\$ 93	\$ 106
Checking deposits and demand deposits	396,652	360,221
Time deposits	84,466	29,760
	<u>\$ 481,211</u>	<u>\$ 390,087</u>

- The Company associates with a variety of financial institutions, all with high credit quality to disperse credit risk, so it is expected that the probability of counterparty default is extremely low.
- The Company does not provide any cash and cash equivalents as pledges to others.

(II) Financial assets at fair value through profit or loss - current

<u>Items</u>	<u>December 31, 2018</u>
Publicly traded stocks	\$ 2,598
Adjustments of valuation	(843)
Total	<u>\$ 1,755</u>

- The breakdown of profit or loss for financial assets at fair value through profit or loss - current is as follows:

<u>Items</u>	<u>2018</u>
Equity instruments	<u>\$ 185</u>

- The Company's financial assets at fair value through profit or loss - current have never been provided as pledged assets or guarantees.
- For related credit risk information, please refer to Note XII (II).

(III) Financial Assets measured at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Non-current project:		
Equity instruments		
Publicly traded stocks	\$ 169,634	\$ -
Non-publicly traded stocks	15,350	-
	<u>184,984</u>	<u>-</u>
Adjustments of valuation	(75,999)	-
Total	<u>\$ 108,985</u>	<u>\$ -</u>

- The Group determined to classify the strategic investment as financial assets at fair value through other comprehensive income, which is at \$108,985 as of December 31, 2018.

- The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

	<u>2018</u>	<u>2017</u>
Equity instruments at fair value through other comprehensive income		
Fair value changes recognized in other comprehensive income	\$ <u>75,999</u>	\$ <u>-</u>
Dividend income recognized in profit or loss at end of current period	\$ <u>4,312</u>	\$ <u>-</u>

- Without considering the collateral held or other credit enhancements, the most representative of the Group's financial assets at fair value through other comprehensive income, the maximum exposure amount of credit risk was \$108,985 as of December 31, 2018.
- For financial assets credit risk information that is measured at fair value through other comprehensive income, please refer to Note XII (III).

(IV) Accounts receivable

	<u>December 31, 2018</u>		
	<u>Total</u>	<u>Allowance for loss</u>	<u>Net</u>
Accounts receivable	\$ 232,704	(\$ 117)	\$ 232,587
Accounts receivable - related parties	686,183	(206)	685,977
	<u>\$ 918,887</u>	<u>(\$ 323)</u>	<u>\$ 918,564</u>

	<u>December 31, 2017</u>		
	<u>Total</u>	<u>Allowance for loss</u>	<u>Net</u>
Accounts receivable	\$ 292,418	\$ -	\$ 292,418
Accounts receivable - related parties	760,762	-	760,762
	<u>\$ 1,053,180</u>	<u>\$ -</u>	<u>\$ 1,053,180</u>

- The following is an analysis of the overdue days based on the number of overdue days:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within 30 days	<u>\$ -</u>	<u>\$ 1,594</u>

The above is an analysis of the number of days overdue for the past due periods.

- No accounts receivable pledged as collateral by the Company.
- Without consideration the collateral held or other credit enhancements, the maximum credit risk amount of the Company's accounts receivable for the years ended December 31, 2018 and 2017 was \$918,888 and \$1,053,180, respectively.

4. For related credit risk information on accounts receivable, please refer to Note XII (II).

(V) Inventories

December 31, 2018		
Cost	Allowance for inventory market valuation decline	Book value
Raw materials	\$ 64,424 (\$ 29)	\$ 64,395
Work in process	31,438 -	31,438
Final goods	1,599 (1,599)	-
\$ 97,461	(\$ 1,628)	\$ 95,833

December 31, 2017		
Cost	Allowance for inventory market valuation decline	Book value
Raw materials	\$ 59,406 (\$ 688)	\$ 58,718
Work in process	54,006 -	54,006
Final goods	1,601 (1,601)	-
Raw materials and supplies in transit	2,066 -	2,066
\$ 117,079	(\$ 2,289)	\$ 114,790

Cost of inventories is recognized by the Group as expenses in the current period:

	2018	2017
Cost of goods sold	\$ 3,397,844	\$ 5,196,211
Gain on reversal of allowance for inventories	(661)	(684)
	\$ 3,397,183	\$ 5,195,527

The Company's cost of sales recognized in 2018 and 2017 was reduced due to the increase in the net realizable value of inventories in result of the inventory obsolescence.

(VI) Other current assets

	December 31, 2018	December 31, 2017
Restricted bank deposits	\$ 4,615	\$ 23,808
Tax overpaid retained	28,034	26,808
Advance cost of goods	20,016	-
Other advance expenses	1,141	538
\$ 53,806	\$ 51,154	\$ 51,154

The details of the pledges of other current assets of the Group are set out in Note VIII.

(VII) Investment using equity method

	December 31, 2018		December 31, 2017	
	Accounting	Shareholding ratio (%)	Accounting	Shareholding ratio (%)
Bahamas Federal Shanghai Co., Ltd.	\$ 124,503	100	\$ 139,445	100
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	215,843	100	219,343	100
Wise Providence Limited	5,854	100	5,685	100
	<u>\$ 346,200</u>		<u>\$ 364,473</u>	

1. The share of profit and loss of subsidiaries (losses) recognized by the Company using the equity method is derived from the evaluation of the financial report data from the audited financial statement for the same period. The breakdown is as follows:

	2018	2017
Bahamas Federal Shanghai Co., Ltd.	(\$ 12,340)	(\$ 8,532)
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	988	867
Wise Providence Limited	291	(452)
	<u>(\$ 11,061)</u>	<u>(\$ 8,117)</u>

2. For information on the Company's subsidiaries, please refer to Note IV (III) of the Company's consolidated financial statements for 2018.
3. The Company invested US\$5 million in the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., approved by the Ministry of Economic Affairs Investment Commission on November 26, 2015. The Group has remitted US\$3 million (equivalent to \$96,760), and remitted the balance of US\$2 million (equivalent to \$61,430) on January 3, 2019.
4. The Company increased the investment to US\$6.4 million as the share capital to the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., approved by the Ministry of Economic Affairs Investment Commission on January 31, 2019, and the investment amount has not remitted out as of March 21, 2019.

(VIII) Pension

1. The Company has established a defined contribution retirement plan ("the New Plan") in accordance with the Labor Pension Act, which is applicable to employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
2. The pension costs recognized by the Company in accordance with the pension regulations in 2018 and 2017 were \$616 and \$391, respectively.

(IX) Share capital

1. As of December 31, 2018, the Company's authorized capital was NT\$2,500,000

(of which \$100,000 was issued for issuance of the stock option, preferred stock or the corporate bond with the attached stock), with the paid-in capital of NT\$1,014,988, and the number of outstanding shares was 101,499 thousand shares.

2. The changes in the number of treasury stock in 2018 are as follows:

For the year ended December 31, 2018					
<u>Reason for reclamation</u>	<u>Name of company holding shares</u>	<u>Number of shares at the beginning of the period (in thousand shares)</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Number of shares at the end of the period (in thousand shares)</u>
Maintenance of the Company's credit and shareholders' equity	This Company	-	7,750	(7,750)	-

3. On May 3, 2018, the Board of Directors has approved to cancel 7,750 thousand repurchased treasury shares. The cancellation of repurchased treasury stock and registration of change have been completed on May 23, 2018.

(X) Retained earnings

- Under the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over. However, when the accumulated legal capital surplus has equaled the total paid-up capital of the Company, the said restriction does not apply. After the Company has set aside or reversed the special capital reserve in accordance with relevant laws or the competent authority, along with the earnings not distributed at the beginning of the period, and after retaining part of the surplus depending on the situation, the Board of Directors may propose a surplus distribution proposal and submit it to the shareholders' meeting to distribute bonus to the shareholders.
- The Company is in stable growth and expands in line with sales development in the future. The future capital expenditures and capital requirement are necessary to be considered first when the Company distribute the earnings. The Board of Directors proposes the distribution plan and distributes the earnings after being approved at the shareholders' meeting. In the annual distribution of shareholder dividends, cash dividend shall not be less than 5%, but if the cash dividend is less than NT\$0.1 per share, it may not be issued, and the stock dividend will be distributed instead.
- The legal reserve shall not be used except for offsetting the loss of the Company and issuing new shares or cash in proportion to the original number of shares held by the shareholders. However, if it is issued to issue new shares or cash, the said legal reserve shall only exceed 25% at most of the paid-up capital.
- (1) When the company distributes the surplus, it is required by law to provide a special surplus reserve for the debit balance of other equity items on the balance sheet date of the current year. After that, when the debit balance of other equity projects is reversed, the amount of

revolving will be included in the surplus available for distribution.

- (2) When the Company adopted IFRSs at first time, for the special reserve listed in the Official Letter of the Financial Management Certificate No. 1010012865 issued on April 6, 2012, the Company reversed the original portion of the said special reserve, and when the Company subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.
5. The Company's shareholders' meeting resolved on May 3, 2018 to fully retain the undistributed earnings of 2017. The Company's shareholders' meeting resolved on June 15, 2017 to distribute \$16,387 (i.e., NT\$0.15 of dividend per share) of earnings as cash dividend for 2016.
6. Please refer to Note VI (XVI) for information on employees' and directors' remuneration.

(XI) Operating revenue

	2018	2017
Sales revenue:		
Computer peripherals	3,923,553	5,540,895
Others	313	7,208
Less: Sales return and allowances	(168,728)	(271,752)
	<u>3,755,138</u>	<u>5,276,351</u>

(XII) Other revenue

	2018	2017
Dividend income	\$ 4,340	\$ -
Interest income	2,335	1,027
Other income	179	5,463
	<u>\$ 6,854</u>	<u>\$ 6,490</u>

(XIII) Other gain and loss

	2018	2017
Net foreign currency exchange gain (loss)	\$ 29,793	(\$ 87,138)
Others	185	-
	<u>\$ 29,978</u>	<u>(\$ 87,138)</u>

(XIV) Financial cost

	2018	2017
Interest expenses:		
Bank loans	\$ 2,165	\$ 1,567

(XV) Employee benefits and depreciation

Functions Nature	2018			2017		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Wages and salaries	\$ -	\$ 18,146	\$ 18,146	\$ -	\$ 11,058	\$ 11,058
Labor and health insurance expenses	-	1,076	1,076	-	834	834
Pension expense	-	616	616	-	391	391
Directors' remuneration	-	9,816	9,816	-	282	282
Other employment cost	-	2,623	2,623	-	3,182	3,182
Depreciation	-	25	25	-	147	147

Note: As of December 31, 2018 and 2017, the number of employees of the Company was 23 and 14, respectively, of which the number of Directors who were not employees at the same time was 4 in both years.

1. According to the Company's Articles of Incorporation, after deducting the accumulated losses based on the profitability of the current year, if there are still some earnings left, the employee shall be granted no less than 0.1% as compensation, and the directors and supervisors shall not be paid more than 6% as remuneration
2. The amount of employee bonus estimated for 2018 and 2017 is \$3,723 and \$0; the estimated amount of remuneration to directors and supervisors is NT\$9,539 and NT\$0, respectively, and the amount of compensation expenses stated above shall be listed as remuneration expense.

It has been determined by the Board of Directors that due to the net loss before tax in the year of 2017, it is not necessary to assess and allocate any remuneration to the employees, Directors, and Supervisors.

3. Information regarding employee compensation and Directors' and Supervisors' remuneration approved by the Board of Directors is available on the Market Observation Post System (MOPS).

(XVI) Income tax

1. Income tax (expense) benefits

Income tax (expense) benefit component:

	<u>2018</u>	<u>2017</u>
Current income tax:		
Income tax incurred in current period	\$ 52,380	\$ -
Surtax on undistributed profit	-	(4,113)
Overestimation of prior years' income tax payable	(4,113)	5
Total income tax in the period	<u>48,267</u>	<u>(4,108)</u>
Deferred income tax:		
The origination and reversal of temporary differences	2,193	5,365
Effect of tax rate changes	(330)	-
Income tax expense (gain)	<u>\$ 50,130</u>	<u>\$ 1,257</u>

2. Income tax expense and accounting profit

	2018	2017
Income tax calculated based on profit before tax and statutory rate	\$ 58,867	\$ 9,889
Expenses that should be excluded pursuant to the taxation law	(5)	86
Tax effects of temporary differences	2,895	(1,203)
Tax effects of deducting impairment loss	(7,184)	(3,407)
Surtax on undistributed profit	-	(4,113)
Overestimation of prior years' income tax payable	(4,113)	5
Effect of tax rate changes	(330)	-
Income tax expense (gain)	<u>\$ 50,130</u>	<u>\$ 1,257</u>

3. The amount of deferred tax assets or liabilities that arise from temporary differences and losses from the taxable financial assets are set out below:

2018				
	January 1	Recognized in profit and loss	Recognized in other comprehensive profit and loss	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	\$ 117	(\$ 111)	\$ -	\$ 6
Unrealized exchange loss	1,752	1,752	-	-
	<u>\$ 1,869</u>	<u>(\$ 1,863)</u>	<u>\$ -</u>	<u>\$ 6</u>
2017				
	January 1	Recognized in profit and loss	Recognized in other comprehensive profit and loss	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	\$ 72	\$ 45	\$ -	\$ 117
Unrealized exchange loss	-	1,752	-	1,752
	<u>72</u>	<u>1,797</u>	<u>-</u>	<u>1,869</u>
Deferred income tax liabilities				
Unrealized exchange gains	(3,568)	3,568	-	-
	<u>\$ 3,496</u>	<u>\$ 5,365</u>	<u>\$ -</u>	<u>\$ 1,869</u>

4. There was no unused taxation loss for the Company on December 31, 2018. The effective period of the tax losses that have not been used by the Company and the related amounts of the unrecognized deferred tax assets on December 31, 2017 are as follows:

<u>Year of occurrence</u>	<u>Reported/Approval Number</u>	<u>Non-deductible Amount</u>	<u>Unrecognized deferred income tax assets</u>	<u>Final deductible year</u>
2011 (Approved)	\$ 58,040	\$ 36,663	\$ 36,663	2021
2016 (Reported)	12,200	12,200	12,200	2026
2017 (Estimated)	20,044	20,044	20,044	2027
	<u>\$ 90,284</u>	<u>\$ 68,907</u>	<u>\$ 68,907</u>	

5. Deductible temporary differences not recognized as deferred income tax assets:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deductible temporary differences	<u>\$ 433,399</u>	<u>\$ 418,923</u>

6. The taxing authorities have audited and ensured the profit-seeking enterprise income tax of the Company through 2016.
7. The amendment to the Income Tax Act was announced and came into force on February 7, 2018. The tax rate for the profit-seeking enterprise income tax increased from 17% to 20%, and the amendment is applicable from 2018. The Company has assessed the impact of income tax on the change of the said tax rate.

(XVII) Earnings (loss) per share

	<u>2018</u>		
	<u>After-tax amount</u>	<u>Weighted average number of common shares outstanding (in thousand shares)</u>	<u>Earnings per share (NT\$)</u>
<u>Basic earnings per share</u>			
Net income attributable to ordinary shareholders	<u>\$ 244,304</u>	102,096	<u>\$ 2.39</u>
<u>Diluted earnings per share</u>			
Effects of dilutive potential ordinary shares			
Employees' compensation	-	98	
Net income attributable to ordinary shareholders plus effects of potential ordinary shares	<u>\$ 244,304</u>	<u>102,194</u>	<u>\$ 2.39</u>
	<u>2017</u>		
	<u>After-tax amount</u>	<u>Weighted average number</u>	<u>Earnings (loss) per share</u>

	of common shares outstanding (in thousand shares)	(NT\$)
Basic loss per share		
Net loss attributable to ordinary shareholders	(\$ 56,914)	109,249 (\$ 0.52)

(XVIII) Changes in liabilities from financing activities

Changes in the Company's liabilities from financing activities in 2018 are all changes in cash flow; please refer to the parent company only statement of cash flows for details.

VII. Related Party Transactions

(I) Parent company and the ultimate controller

The Company is controlled by Yicheng International Development Co., Ltd. (incorporated in the Republic of China), which owns 28.11% of the shares of the Company. The rest is held by the public. The ultimate controller of the Company is the Colorful Group.

(II) Name and relationship of related parties

Name of related party	Relationship with the Company
Colorful Technology Co, Ltd (Colorful)	100% re-investment by Colorful Group

(III) Material transactions with related parties

1. Operating revenue

	2018	2017
Colorful	\$ 2,069,738	\$ 3,187,676

The Company's transaction prices to related parties are not significantly different from those of the unrelated parties. The payment terms are OA 45~125 days depending on the different transaction object.

2. Accounts receivable from related parties

	December 31, 2018	December 31, 2017
Colorful	\$ 685,977	\$ 760,762

Accounts receivable from related parties mainly arise from sales transactions. Payment for sales transactions is made in accordance with the payment terms after the date of sale. The receivables are unsecured and not interest-bearing.

3. Operating expenses

	2018	2017
Subsidiary	\$ 6,690	\$ 6,455

The Company has commissioned a subsidiary to assist the Company in providing technical assistance such as market research and after-sales services and testing and business expansion. Expenses incurred in the aforementioned

transactions shall be recorded in the operating expenses. As of December 31, 2018 and 2017, the amount not paid was \$1,712 and \$1,680, respectively, as shown in "Other Payables."

4. Advertising fees

After the launch of the products jointly developed by the Company and Colorful, both sides have agreed to pay no more than US\$60,000 per month as advertising expenses for the related parties. The amount of advertising fees incurred in 2018 and 2017 were \$13,366 and \$5,379, respectively; the amount not yet paid as of December 31, 2018 and 2017 was NT\$8,911 and \$447, respectively, as shown in "Other Payables."

(IV) Key management compensation information

	2018	2017
Salary and other short-term employees' benefits	\$ 14,739	\$ 5,000

VIII. Pledged Assets

The Company's assets pledged as collateral were as follows:

Pledged assets	Book value		Guarantee use
	December 31, 2018	December 31, 2017	
Other current assets			
Bank deposits	\$ 4,615	\$ 23,808	Loan-to-deposit account and purchase guarantee

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

- As of December 31, 2018, the Company's guaranteed letter of credit for the purchase was NT\$1,500 thousand.
- The Company opened a promissory note for the purchase of goods as a guarantee for the purchase of loan claims. The Company had written promissory notes totaling \$200,000 as of December 31, 2018.

X. Significant Disaster Losses

None.

XI. Significant Events after the End of the Financial Reporting Period

None.

XII. Others

(I) Capital management

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to maintain optimal capital structure in

order to minimize the cost of funding and to provide remuneration for its shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial Instruments

1. Category of financial instruments

For the information on the Company's financial assets (cash and cash equivalents, accounts receivable and other receivables) and financial liabilities (short-term loans, accounts payable and other payables), please refer to Note VI and the consolidated balance sheet.

2. Risk management policies

(1) The Company's daily operations are affected by a number of financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.

(2) The risk management is carried out by the Company's finance department according to the policies approved by the Board of Directors. The finance department of the Company is responsible for identifying, evaluating and avoiding financial risks in close co-operation with the operating units of the Company. The Board has established written principles for overall risk management, and provides written policies for specific areas and matters such as exchange rate risk, interest rate risk, credit risk and remaining liquidity.

3. The nature and degrees of significant financial risks

(1) Market risk

Exchange rate risk

A. The Company is a multinational operation and is exposed to exchange rate risk, which is mainly denominated in USD and CNY. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

B. Business of the Company is involved in a number of non-functional currency (the functional currency of the Company is NTD) and deeply affected by the exchange rate fluctuation. The information of significant impact affected by exchange rate fluctuation for foreign assets and liabilities is as follow:

		December 31, 2018		
(Foreign currency: Functional currency)	Foreign Currency (in thousands)	Exchange rate	Book value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 45,877	30.715	\$	1,409,112
<u>Non-monetary items</u>				
CNY:NTD	\$ 77,415	4.472	\$	346,200
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 5,107	30.715	\$	156,862

		December 31, 2017		
(Foreign currency: Functional currency)	Foreign Currency (in thousands)	Exchange rate	Book value (NTD)	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 49,197	29.760	\$	1,464,103
<u>Non-monetary items</u>				
CNY:NTD	\$ 79,841	4.565	\$	364,473
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 7,064	29.760	\$	210,225

- C. The Company's material monetary projects affected by the exchange rate fluctuation have been recognized as net exchange (loss) gain and aggregated in the consolidated financial statements for the years ended December 31, 2018 and 2017 (including realized and unrealized). The aggregated amount is \$29,793 and (\$87,138), respectively.
- D. The Company's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

		2018		
		Sensitivity analysis		
(Foreign currency: Functional currency)	Range of change	Effects on profit and loss	Other comprehensive income of the year	
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 14,091	\$	-
<u>Non-monetary items</u>				
CNY:NTD	1%	\$ 3,462	\$	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 1,569	\$	-

(Foreign currency: Functional currency)	2017			
	Range of change	Sensitivity analysis		Other comprehensive income of the year
		Effects on profit and loss		
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	14,641	\$ -
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	2,102	\$ -

Price risk

- A. The Company's equity instruments exposed to price risk are those financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage the price risk of investments in equity instruments, the Company diversifies its portfolio with its diversification method based on limits set by the Company.
- B. The Company's equity instruments issued by the Company are mainly invested in equity instruments issued by the domestic companies, which are affected by the uncertainty of the future value of the investment underlying the investment target. If the prices of these equity instruments increased or decreased by 1%, while all other factors remained unchanged, the net profit after tax for the year ended December 31, 2018 would have increased or decreased by \$18 measured at fair value through profit and loss. The gain or loss of the other comprehensive income which was classified to the equity investment at fair value through other comprehensive income would have increased or decreased by \$1,090.

Cash flow and fair value interest rate risk

- A. The Company's interest rate risk arises primarily from short-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2018 and 2017, the Company's borrowings issued at variable rates were mainly denominated in USD.
- B. The Company's borrowings are measured at amortized cost and are re-priced at the contract annual rate every year. Therefore, the Group is exposed to the risk of changes in future market interest rates.

(2) Credit risk

- A. The Company's credit risk is primarily attributable to the risk of financial loss from customers or the counterparty of financial instruments who are unable to fulfill the contract obligation. That credit risk is mainly from the fact that the counterparty is unable to pay off the accounts receivable payable on the terms of the payment.
- B. The Company has established credit risk management in the Group's

corporate policy. For banks and financial institutions that are in the process of setting up, only those with good credit rating can be accepted as the transaction target. In accordance with the internal defined credit policy, the Group's operating entities and each new customer shall be subject to the management and credit risk analysis before making payment and delivery of the agreed payment and delivery. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of directors.

- C. The Company adopts IFRS 9 to make the following assumptions as to whether the credit risk on financial instruments since initial recognition has increased by the following:
- (A) When the contract amount is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk has been significantly increased since the original recognition of the financial assets.
- (B) There are actual or expected significant changes in external credit ratings of financial instruments.
- D. The Company adopts IFRS 9 to make assumptions that if the contract amount is overdue for more than 90 days in accordance with the agreed payment terms, it is regarded that a default has taken place.
- E. The Company will group the customer's accounts receivable based on the characteristics of the customer's rating and customer type, and use the simplified method to estimate the expected credit loss based on the preparation matrix.
- F. The Company includes the forward-looking consideration to adjust the loss rate established by historical and current information for a specific period so as to estimate the allowance loss for accounts receivable by the said loss rate. The provision matrix on December 31, 2018 is as follows:

	Not overdue	Total
December 31, 2018		
Expected loss rate	0.03%	
Total book value	\$ 918,887	\$ 918,887
Allowance for loss	\$ 323	\$ 323

G. The statement of allowance loss for accounts receivable of the Company using simplified approach is as follows:

	2018
	Accounts receivable
January 1_IAS 39	\$ 323
Adjustments under new standards	-
January 1_IFRS 9	\$ 323
Provision of impairment loss	-
December 31	\$ 323

H. For the credit risk information as of December 31, 2017, please refer to Note XII (III).

(3) Liquidity risk

A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group finance department. The Group's finance department monitors the Group's liquidity requirements predict to ensure that it has sufficient funds to support its operational needs and maintains sufficient unencumbered borrowing commitments at all times so that the Group does not violate the relevant borrowing limits or terms.

B. The surplus cash held by each operating entity will be transferred back to the Group finance department when it exceeds the management needs of the working capital. The Group finance department invests the surplus funds in interest-bearing demand deposits and fixed deposits, and the selected instruments have appropriate maturity dates or sufficient liquidity to meet the above forecasts and provide sufficient water and effluents.

C. The Company's non-derivative financial liabilities are due within the next year except for guarantee deposit received (listed in other non-current liabilities).

(III) Fair Value Information

1. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

2. For financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable (including related parties), other receivables, short-term loans, accounts and other payables, their carrying amounts are a reasonable approximation of their fair value.
3. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities is as follows:

(1) The Company classifies its assets and liabilities according to the nature of assets and liabilities as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Equity securities	\$ 1,755	\$ -	\$ -	\$ 1,755
Financial assets measured at FVTOCI				
Equity securities	93,635	-	15,350	108,985
Total	\$ 95,390	\$ -	\$ 15,350	\$ 110,740

(2) Methods and assumptions the Company used to measure the fair value are as follow:

A. The instruments that the Company uses market-quoted prices as their fair values (i.e. Level 1) are listed below by characteristics:

Market quoted price	Listed shares Closing price

B. In addition to the aforementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other substantial financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on the market information utilization model available on the date of the consolidated balance sheet (e.g., the reference yield curve offered by Taipei Exchange or the average offer price of Reuters commercial paper interest rate).

C. Outputs from valuation models are estimates and valuation techniques may not be able to reflect all the relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that the adjustment is appropriate and necessary to recognize the fair value of financial instruments and non-financial instruments in the

consolidated balance sheet. The price information and parameter used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.

D. The Company absorbs the adjustment of credit risk assessment into the fair value measurement of financial and non-financial instruments to reflect the credit risk of counterparties and the credit quality of the Company.

4. There was no transfer between Level 1 and Level 2 in 2018 and 2017.
5. The following table presents changes in Level 3 in the year of 2018:

	2018	
	Equity instruments	
January 1	\$	-
Acquired in the period		15,350
December 31	\$	15,350

6. There were no transfers into and out of Level 3 in 2018 and 2017.
7. The finance department of the Company is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.
8. Quantitative information and sensitivity analysis of significant unobservable inputs to the valuation models used in the valuation models for Level 3 fair value measurement and the sensitivity analysis of changes in significant unobservable inputs are as follows:

		Fair value on December 31, 2018	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	\$	15,350	Discounted cash flow method	Long-term revenue growth rate, weighted average cost of capital, net operating profit before tax, lack of marketability discount, discount price discount	The higher the long-term revenue growth rate and long-term operating net profit before tax, the higher the fair value; the higher the lack of marketability discount; the lower the fair value

9. The Company carefully evaluates the valuation models and inputs used in selecting the valuation models and inputs that the valuation models may result in different valuation models. For financial assets classified as Level 3, if the evaluation parameters change, the impact on other comprehensive gains and losses is as follows:

	Input	Change	December 31, 2018	
			Recognized in other comprehensive profit and loss	
			Favorable change	Unfavorable change
Financial assets	Long-term revenue growth rate, weighted average growth rate of capital, long-term operating net income before tax, lack of marketability discount	±1%	\$ 154	\$ 154
Equity instruments				

(IV) Impact on initial application of IFRS 9 and information on the application of IAS 39 for the year ended December 31, 2017

1. The significant accounting policies adopted as of December 31, 2017 are described below:

(1) Loans and receivables

Accounts receivable are the original loans and receivables that are due from customers in the normal course of business for the sale of commodities or services. At initial recognition, they are measured at fair value, and subsequently measured at amortized cost using the effective interest method, less any impairment. However, short-term accounts receivable that are not paid for interest shall be measured by the amount of the original invoice amount.

(2) Impairment of financial assets

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (i.e., a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of impairment loss is as follows:

- (A) Significant financial difficulty of the issuer or debtor;
- (B) A breach of contract, such as a default or delinquency in interest or principal payments;
- (C) The Company gives the debtor a concession that cannot be considered reliably due to the economic or legal reasons relating

to the financial difficulty of the debtor;

- (D) The probability that the debtor will enter bankruptcy or other financial reorganization;
 - (E) The disappearance of an active market for that financial asset because of financial difficulties;
 - (F) Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

Financial assets measured at amortized cost are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The reconciliation of allowance loss that has been transferred from the loss pattern based on IAS 39 on December 31, 2017 to the expected credit loss model based on IFRS 9 on January 1, 2018 are as follows:

The amount of the allowance loss for accounts receivables assessed in accordance with IAS 39 is \$0. The amount of the allowance loss for accounts receivables assessed in accordance with IFRS 9 is \$323. The difference between the allowance losses is to adjust the retained surplus as of January 1, 2018.

3. The risk information adopted as of December 31, 2017 is described as follows:
- (1) Credit risk is the risk of financial loss to the Company due to failure to meet its contractual obligations by customers or counterparties of financial instruments. The Company has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the

credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of Directors. The principal credit risk arises from cash and cash equivalents and accounts receivable.

- (2) In the year ended December 31, 2017, there was no excess of the credit limit, and the management did not expect any significant losses due to the non-compliance of the counterparty.
- (3) The Company's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business, and profitability.
- (4) The aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017	
Within 30 days	\$	1,594

- (5) Analysis in the changes of the Company's provision for impairment of accounts receivable are as follows:
 - a. As of December 31, 2017, the Company's impairment for accounts receivable was \$0.
 - b. The table of changes in allowance for bad debts of the Group's accounts receivable for the year ended December 31, 2017 is as follows:

	2017		
	Impairment loss by individual assessment	Impairment loss by balance group assessment	Total
Balance at the beginning of the period (i.e., balance at the end of the period)	\$ -	\$ -	\$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.
2. Endorsements/guarantees made for others: None.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 1.
4. Accumulated purchase or disposal of the same securities amount reaching NT\$300 million or 20% of the paid-in capital: None.
5. Acquisition of real estate reaches NTD300 million or 20% of the paid-in capital: None.
6. Disposal of real estate reaches NT\$300 million or 20% of the paid-in capital: None.

7. For purchases and sales with related parties, the amount of sales and purchase transactions with the related party reaches NT\$ 100 million or 20% of the paid-in capital: Please refer to Table 2.
8. Accounts receivable from related parties reaches NT\$ 100 million or 20% of the paid-in capital: Please refer to Table 3.
9. Derivative transactions: None.
10. Business relations and significant transactions between the parent company and its subsidiaries and significant transactions and amount: Please refer to Table 4.

(II) Reinvestment Information of Invested Companies

Name of investee company and location of the location (excluding investee companies in Mainland China): Please refer to Table 5.

(III) Investment information in Mainland China

1. Basic information: Please refer to Table 6.
2. Material transactions that occur directly or indirectly through a third-region business and an investment company that invests in Mainland China, please refer to Table 7.

XIV. Segment Information

Exempt from disclosure.

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Chaintech Technology Corp.
 Marketable Securities Held at End of Period (excluding subsidiaries, associates, and joint ventures)
 FOR YEAR ENDED DECEMBER 31, 2018

Table 1

Unit: NT\$ thousand
 (Unless specified otherwise)

Company holding shares	Type and name of securities	Relationship with the issuer of the securities	Accounting item	End of the period				Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Chaintech Technology Corp.	Stocks of Accton Technology Corporation	-	Financial asset at fair value through profit and loss - current	60,000	\$ 1,755	0.04%	\$ 1,755	
Chaintech Technology Corp.	Stocks of APAQ Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	3,050,000	93,635	3.53%	93,635	
Chaintech Technology Corp.	Stock of CloudMile Co., Ltd. (Cayman Islands)	-	Financial asset at fair value through other comprehensive income - non-current	510,204	15,350	3.93%	15,350	

Chaintech Technology Corp.

Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more

FOR YEAR ENDED DECEMBER 31, 2018

Table 2

Unit: NT\$ thousand
(Unless specified otherwise)

Company of purchases/sales	Name of transaction counterparty	Relations	Transaction				Unusual trade conditions and its reasons		Notes/Accounts payable or receivable		Remarks
			Purchases/Sales	Amount	% to total purchases/sales	Credit period	Unit price	Credit period	Balance	% to total notes/accounts payable or receivable	
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Sales	\$ 2,069,738	55%	OA45 ~ 125 days	Not applicable	Not applicable	\$ 685,977	75%	-

Chaintech Technology Corp.
 Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
 FOR YEAR ENDED DECEMBER 31, 2018

Table 3

Unit: NT\$ thousand
(Unless specified otherwise)

Company with accounts receivable	Name of transaction counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party <u>Amount</u>	Handling method	Accounts receivable from related party <u>Amount recoverable after period</u>	Amount of Allowance for Doubtful Accounts
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Accounts receivable \$ 685,977	2.86	\$ -	-	\$ 183,226 (\$ 206)

Chaintech Technology Corp.

Significant inter-company relationship and transactions between the parent company and subsidiaries and between subsidiaries during the reporting period

FOR YEAR ENDED DECEMBER 31, 2018

Table 4

								Unit: NT\$ thousand
								(Unless specified otherwise)
No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Account	Amount	Transaction status		
						Transaction terms	Percentage accounted for in consolidated revenue or total assets ratio (Note 3)	
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Operating expenses	\$ 6,690	Agreed by both parties	-	
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Other payables	1,712	-	-	

Note 1: Information of business contacts between the parent company and subsidiaries shall be specified in No. column. Please fill in the No. column following the instruction:

- (1) The parent company is coded "0".
- (2) The subsidiaries are coded starting from 1 in sequence.

Note 2: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is calculated based on the ending balance to consolidated total assets for balance sheet items; it is calculated based on interim accumulated amount to consolidated net revenue for profit or loss items.

Chaintech Technology Corp.
Information on investee companies (not including investee companies in Mainland China)
FOR YEAR ENDED DECEMBER 31, 2018

Table 5

Unit: NT\$ thousand
(Unless specified otherwise)

Investor company	Investee company	Location	Main businesses and products	Initial amount of investment		Possession by the end of the period			Investee company current profit or loss	Investment gain or loss recognized in the current period (Note)	Remarks
				December 31, 2018	December 31, 2017	Number of shares	Ratio	Carrying amount			
Chaintech Technology Corp.	Bahamas Federal Shanghai Co., Ltd.	Bahamas	Investments	\$ 343,327	\$ 343,327	10,428,985	100	\$ 124,503	(\$ 12,340)	(\$ 12,340)	Subsidiary
Chaintech Technology Corp.	Wise Providence Ltd.	British Virgin Islands	Investments	5,783	5,783	1,500,000	100	5,854	291	291	Subsidiary

Note: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee accounted for using the equity method. The rest of the information can be exempted.

Chaintech Technology Corp.
Information on investee companies (not including investee companies in Mainland China)
FOR YEAR ENDED DECEMBER 31, 2018

Table 6

Unit: NT\$ thousand
(Unless specified otherwise)

Name of investee in Mainland China	Main businesses and products	Actual paid-in capital	Method of investment	Accumulated investment amount remitted from Taiwan at the beginning of the period	Accumulated outflow or recovery		Accumulated investment amount of remittance from Taiwan to Mainland China at the end of the period	Investee company current profit or loss	Percentage of ownership (direct or indirect)	Investment gain or loss recognized in the current period (Note)	Carrying amount of investments in Mainland China at the end of the period	Accumulated inward remittance of income from investment as of the end of the period	Remarks
					Outflow	Recover							
Dongguan Chang'an Kede Electronic Co., Ltd.	Production and manufacturing of motherboards, graphics cards, and computer peripherals	\$ 589,053	Investing in a third region to set up a company to reinvest in companies in Mainland China (through the investment of Bahamas Federal Shanghai Co., Ltd.)	\$ 343,327	\$ -	\$ -	\$ 343,327 (\$ 12,228)		100	(\$ 12,228)	\$ 124,460	\$ -	-
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	212,842	Direct investment	239,456	-	-	239,456	988	100	988	215,843	-	-

Note: The valuation is recognized on the financial statements audited and certified by the CPAs of the parent company in Taiwan.

<u>Company name</u>	<u>Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period</u>	<u>Investment amount approved by Ministry of Economic Affairs Investment Commission</u>	<u>Ceiling on investment in Mainland China regulated by Ministry of Economic Affairs Investment Commission</u>
Chaintech Technology Corp.	\$ 582,783	\$ 936,333	\$ 1,040,474

Note: The Group invested US\$5 million in the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Ministry of Economic Affairs Investment Commission on November 26, 2015. The Group has remitted US\$3 million (equivalent to \$96,780 in NTD); the remaining US\$2 million was remitted on January 3, 2019.

Note: The Group increased the investment to US\$6.4 million as the capital to the subsidiary of Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Investment Commission of the Ministry of Economic Affairs Investment Commission on January 31, 2019. The investment amount has not been remitted as of March 21, 2019.

Chaintech Technology Corp.

Information on investments in Mainland China - significant transactions with investee companies in Mainland China, either directly or indirectly through a third area

FOR YEAR ENDED DECEMBER 31, 2018

Table 7

Unit: NT\$ thousand
(Unless specified otherwise)

Name of investee in Mainland China	Sales (Purchase)		Property transactions		Accounts receivable (payable)		Endorsement or guarantee provided or provided for the guarantee	Financing					
	Amount	%	Amount	%	Balance	%		Highest balance within the period	Balance at the end of the period	Interest range	Interest in the current period	Others	
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	\$ -	-	\$ -	-	(\$ 1,712)	-	\$ -	-	\$ -	\$ -	-	\$ -	Operating expenses \$ 6,690

Chaintech Technology Co., Ltd.

Cash Statement

December 31, 2018

Statement 1

Unit: NT\$ thousand

Items	Description	Amount
Cash on hand and petty cash		\$ 93
Checking deposits and demand deposits		
- NTD deposits		9,921
- Foreign		
currency deposits	US\$12,566,898.68, exchange rate at 30.71	385,992
	HK\$168,168.16, exchange rate at 3.92	659
	CNY17,439.57, exchange rate at 4.47	78
	EUR59.91, exchange rate at 35.19	2
Time deposits - foreign currency deposits	US\$2,750,000, exchange rate at 30.71	84,466
		<u>\$ 481,211</u>

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Chaintech Technology Co., Ltd.

Statement of Changes in Financial Assets at Fair Value through Other comprehensive Income-Non-Current

From January 1, 2018 to December 31, 2018

Statement 2

Unit: NT\$ thousand

Title	Beginning of the period		Increase in the period		Decrease in the period		End of the period		Collateral or Pledge
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value	
Shares of APAQ Technology Co., Ltd.	-	\$ -	3,050,000	\$ 169,634	-	\$ -	3,050,000	\$ 169,634	None
Shares of CloudMile Co., Ltd. (Cayman Islands)	-	-	510,204	15,350	-	-	510,204	15,350	None
		-		184,984		-		184,984	
Adjustments of valuation		-		-		75,999		(75,999)	
		\$ -		\$ 184,984		\$ -		\$ 108,985	

Chaintech Technology Co., Ltd.
Statement of Accounts Receivable
December 31, 2018

Statement 3

Unit: NT\$ thousand

Name	Description	Amount	Remarks
Non-related parties			
16L002		\$ 70,279	
16S010		55,016	
16N002		39,570	
16W003		36,313	
16S001		16,230	
Others		15,296	
Less: Allowance for bad debts		(117)	
		<u>232,587</u>	
Related parties			
Colorful Technology Co., Ltd		686,183	
Less: Allowance for bad debts		(206)	
		<u>685,977</u>	
		<u>\$ 918,564</u>	

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Chaintech Technology Co., Ltd.

Inventory Breakdown

December 31, 2018

Statement 4

Unit: NT\$ thousand

Items	Amount		Remarks
	Cost	Market price	
Raw materials	\$ 64,424	\$ 64,534	Net realizable value as the market price
Work in process	31,438	35,312	
Final goods	1,599	-	
	<u>97,461</u>	<u>\$ 99,846</u>	
Less: Allowance to inventory market value decline	(1,628)		
	<u>\$ 95,833</u>		

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Chaintech Technology Co., Ltd.

Statement of Change in Investment Accounted for Using Equity Method

From January 1, 2018 to December 31, 2018

Statement 5

Unit: NT\$ thousand

Title	Beginning of the period		Increase in the period		Decrease in the period		Investment income (loss) recognized by the Company for the period ended September 30, 2018	Accumulated translation adjustments	Balance at the end of the period			Market value or net equity value		Collateral or Pledge
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount			Number of shares	Equity %	Book value	Unit price (NT\$)	Total	
Bahamas Federal Shanghai Co., Ltd.	10,428,985	\$ 139,445	-	\$ -	-	\$ -	(\$ 12,340)	(\$ 2,602)	10,428,985	100%	\$ 124,503	\$ 12	\$ 124,503	None
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	-	219,343	-	-	-	-	988	(4,488)	-	100%	215,843	-	215,843	None
Wise Providence Limited	1,500,000	5,685	-	-	-	-	291	(122)	1,500,000	100%	5,854	4	5,854	None
		<u>\$ 364,473</u>		<u>\$ -</u>		<u>\$ -</u>	<u>(\$ 11,061)</u>	<u>(\$ 7,212)</u>			<u>\$ 346,200</u>		<u>\$ 346,200</u>	

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Chaintech Technology Co., Ltd.

Accounts Payable

From January 1, 2018 to December 31, 2018

Statement 6

Unit: NT\$ thousand

<u>Name</u>	<u>Description</u>	<u>Amount</u>	<u>Remarks</u>
Non-related parties			
005507		\$ 64,550	
002884		33,365	
002883		31,646	
005505		26,821	
Others		477	
		<u>\$ 156,859</u>	

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Chaintech Technology Co., Ltd.
Statement of Operating Revenue
From January 1, 2018 to December 31, 2018

Statement 7

Unit: NT\$ thousand

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Remarks</u>
Operating revenue:			
Computer peripherals	1,237 thousand pieces	\$ 3,923,553	
Others		313	
		<u>3,923,866</u>	
Less: Sales return and allowances		(168,728)	
Net operating revenue		<u>\$ 3,755,138</u>	

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Chaintech Technology Co., Ltd.
Statement of Operating Costs
From January 1, 2018 to December 31, 2018

Statement 8

Unit: NT\$ thousand

Items	Amount
Raw materials and materials and supplies at the beginning of the period (including goods in transit)	\$ 61,472
Plus: Input amount, net	2,522,552
Less: Disposal of raw materials	(142,820)
Raw materials and materials and supplies at the end of the period (including goods in transit)	(64,424)
Raw materials consumed during the current period (1)	2,376,780
Manufacturing costs - processing cost (2)	65,548
Total manufacturing costs (1)+(2)	2,442,328
Add: Work-in-progress at the beginning of the period	54,006
Less: Transferred form finished goods	(2,576,393)
Work in process at the end of the period	(31,438)
Cost of finished goods	(111,497)
Add: Finished products at the beginning of the period	1,601
Acquired during the period	791,574
Transferred form finished goods	2,576,393
Less: Finished products at the end of the period	(1,599)
Others	(1,448)
Cost of finished goods	3,255,024
Loss on inventory market value decline	(661)
Sale of raw materials	142,820
Total operating costs	<u>\$ 3,397,183</u>

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Chaintech Technology Co., Ltd.
Statement of Operating Expenses
From January 1, 2018 to December 31, 2018

Statement 9

Unit: NT\$ thousand

Items	Selling expenses	General and administrative expenses	Research and development expenses	Total
Payroll expenses	\$ 7,478	\$ 19,276	\$ 1,824	\$ 28,578
Advertisements	20,311	-	-	20,311
Labor fees	8,676	4,161	-	12,837
Employee benefits/welfare	868	782	313	1,963
Freight expenses	4,037	23	1	4,061
Public relations allowances	1,651	4,345	-	5,996
Rent expenses	523	523	523	1,569
Other expenses (Note)	8,728	2,581	503	11,812
	<u>\$ 52,272</u>	<u>\$ 31,691</u>	<u>\$ 3,164</u>	<u>\$ 87,127</u>

Note: The amount of each individual item does not exceed 5% of the total amount of the account

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